



Action Item

Agenda Item No.

City Manager's Approval

**Subject:** Fiscal Impact Analysis for 2014 Auburn Firefighter's Association (IAFF Local 4110) Memorandum of Understanding (MOU) Negotiation

### **Background**

Recently the City of Auburn adopted policies regarding "Transparency in Bargaining," as outlined by Section 17.1 and 17.2 of the City of Auburn Employee-Employer Relations Policy (EERP). As part of increased transparency efforts, the City of Auburn performs a fiscal impact analysis for all economic items within initial proposals for successor Memoranda of Understanding (MOUs). Conducted by the City of Auburn Administrative Services Department, this fiscal impact analysis identifies financial impacts associated with each proposal. The analysis is provided to the Auburn Firefighter's Association (IAFF Local 4110) within seven (7) days after submitting initial proposals which was performed on Tuesday, October 21<sup>st</sup>. The analysis will then be posted online for public review and comment which will be accepted at upcoming City Council meetings in December and January (dates TBD).

### **Analysis**

#### *Auburn Firefighter's Association (IAFF) Proposal*

IAFF Proposal #1:

*5% salary increase for the ranks of Engineers and Captains to solve compaction issues between ranks, and establish a new position classification of "firefighter."*

*Annual Fiscal Impact - Varies*

The IAFF, hereafter referred to as the firefighters, is requesting the City of Auburn separate the position classification of "firefighter," by separating the current classification "firefighter/engineer" into two (2) separate classifications with different pay. The beginning salary steps would be as follows:

Current Classification	Base Salary	% Difference between Classification	Proposed Base Salary	% Difference between Classification
LT Firefighter	\$3,847	-	\$3,847	-
Engineer	\$3,847	-	\$4,039	5%

Captain	\$4,039	5%	\$4,241	5%
Division Chief	\$4,807	19%	\$4,807	14%

The estimated fiscal impact of this proposal is \$27,546 as shown below:

Description	Base Salary	PERS	FICA	FLSA	Total
Current Base Salary (All employees)	872,052	272,884	12,645	21,801	1,179,382
Proposed 5% Increase to FFE & Captains <i>only</i>	892,138	279,552	12,936	22,303	1,206,929
<b>Total</b>					<b>27,546</b>

IAFF Proposal #2:

*Add 5% Longevity pay after 15 years of service*

The firefighters are proposing an additional 5% longevity pay increase beginning at the start of fifteen (15) years of service similar to the longevity pay for Auburn police officers. Current longevity pay increases are given as follows at the beginning of the 7<sup>th</sup>, 11<sup>th</sup> and 20<sup>th</sup> year of service:

	as of	11/14/2014		Longevity (In Years of Service)			
<i>Name</i>	<i>Hire Date</i>	<i>Years of Service</i>	<i>Annual Salary</i>	<i>7 (Current)</i>	<i>11 (Current)</i>	<i>15 (Proposed)</i>	<i>20 (Current)</i>
Division Chief	4/1/2000	15	70,140	3,507	3,507	3,507	-
Engineer	7/1/1999	15	56,184	2,809	2,809	2,809	-
Division Chief	2/6/1989	26	70,140	3,507	3,507	3,507	3,507
Engineer	5/18/2005	9	56,184	2,809	-	-	-
Fire Captain	7/1/1999	15	58,992	2,950	2,950	2,950	-
Engineer	3/10/2006	9	56,184	2,809	-	-	-
Fire Captain	5/16/2001	13	58,992	2,950	2,950	-	-
Division Chief	9/16/1995	19	70,140	3,507	3,507	3,507	-
Engineer	5/24/2007	7	56,184	2,809	-	-	-
Firefighter – LT	10/1/2013	1	50,892				
Firefighter – LT	10/16/2012	2	53,520				
Firefighter – LT	10/16/2012	2	53,520				
Firefighter – LT	2/1/2014	1	48,468				
Firefighter - LT	10/16/2012	2	53,520				
<b>Impact (Subtotal)</b>				27,657	19,229	16,280	3,507
PERS				9,181	6,383	5,404	1,164
FICA				401	279	236	51
FLSA				691	481	407	88
<b>Total Impact</b>				<b>37,930</b>	<b>26,372</b>	<b>22,327</b>	<b>4,810</b>

There are currently five (5) employees who would be eligible for this additional longevity pay currently and the annual impact would be \$22,327.

**IAFF Proposal #3:**

*Add Cost of Living increase at the current Greater San Francisco Area Consumer Price Index.*

The firefighters are also proposing a cost-of-living increase to base salaries equal to the current Greater San Francisco Area Consumer Price Index, or CPI. As of August 2014, the SF Area CPI is 3.0%. The estimated fiscal impact of this proposal is \$35,381 and would impact all employees.

<b>Proposal</b>	<b>w/ COLA</b>
Base Salary*	\$26,162
PERS	\$8,187
FICA	\$379
FLSA	\$654
<b>Total</b>	<b>\$35,381</b>

*\*Includes base salary only*

### *City of Auburn Proposal to IAFF*

**City of Auburn Proposal #1**

*Amendments to Section 7, Subsection A Salary Adjustment*

The City of Auburn is proposing to create a new salary range which does not affect current employees. All current employees shall remain in "Salary Range A" for the remainder of his/her continuous employment with the City. All new employees hired on or after the first pay period after the effective date of the MOU shall be assigned to "Salary Range B." The top step of Salary Range B shall be 100% of the top step of Salary Range A for each job classification. However, Salary Range B shall consist of fifteen (15) salary steps, each varying approx. 2.5% until the top step which will not exceed 100% of Salary Range A. This reflects a change from the current 5% increase employees currently receive under Salary Range A. For current and future employees, the impact is explained below:

<b>Base Salary Only</b>	<b>Step</b>														
<b>LT Firefighter</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
<b>Salary Range A (Current)</b>	3,847	4,039	4,241	4,460	4,682	employees are currently "maxed" at top step of pay scale									
<b>Salary Range B (Proposed)</b>	3,285	3,369	3,455	3,544	3,635	3,728	3,824	3,922	4,022	4,125	4,231	4,340	4,451	4,565	4,682

<b>Base Salary Only</b>	<b>Step</b>														
<b>Engineer</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
<b>Salary Range A (Current)</b>	3,847	4,039	4,241	4,460	4,682	employees are currently "maxed" at top step of pay scale									
<b>Salary Range B (Proposed)</b>	3,285	3,369	3,455	3,544	3,635	3,728	3,824	3,922	4,022	4,125	4,231	4,340	4,451	4,565	4,682

<b>Base Salary Only</b>	<b>Step</b>														
<b>Captain</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>
<b>Salary Range A (Current)</b>	4,039	4,241	4,453	4,682	4,916	employees are currently "maxed" at top step of pay scale									

<b>Salary Range B (Proposed)</b>	3,449	3,537	3,628	3,721	3,816	3,914	4,015	4,118	4,223	4,331	4,443	4,556	4,673	4,793	4,916
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Base Salary Only	Step														
Division Chief	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Salary Range A (Current)</b>	4,807	5,047	5,300	5,564	5,845	employees are currently "maxed" at top step of pay scale									
<b>Salary Range B (Proposed)</b>	4,101	4,206	4,314	4,424	4,538	4,654	4,773	4,896	5,021	5,150	5,282	5,417	5,556	5,699	5,845

Since the new pay range would not affect current employees, the savings to the City of Auburn would be realized for future hires. For example, under the current step salary scale, a newly hired firefighter begins employment with a monthly base salary of \$3,847 at the “Bottom Step.” After four (4) completed years of service, the employee would earn \$4,682, or the “Top Step,” and the employee’s pay is now “maxed out.” Under the City’s proposal which affects only new hires, the top step would remain the same (\$4,682) but there would be fifteen (15) steps rather than five (5) and the employee would progress toward the top step at a slower rate.

The estimated cost savings of this proposal would not be realized until the City begins hiring new employees because it does not impact current employees. There is a significant fiscal impact over time because newly hired employees would begin employment at a lower starting salary. If newly hired employees begin work under the City’s proposed step pay scale, the City would realize savings as shown in the associated chart below:

LT Firefighter (Base Salary Only)		Assumes 2014 rates			
Earnings During Year One	Base Salary	PERS	FICA	FLSA	Total
Monthly pay @ Current Salary Range	47,316	12,685	686	1,183	61,870
Monthly pay @ Proposed Salary Range	39,922	10,703	579	998	52,202
<b><i>Difference over 1 year - per Firefighter</i></b>					<b><i>9,669</i></b>

Engineer (Base Salary Only)		Assumes 2014 rates			
Earnings During Year One	Base Salary	PERS	FICA	FLSA	Total
Monthly pay @ Current Salary Range	47,316	12,685	686	1,183	61,870
Monthly pay @ Proposed Salary Range	39,922	10,703	579	998	52,202
<b><i>Difference over 1 year – per Engineer</i></b>					<b><i>9,669</i></b>

Captain (Base Salary Only)		Assumes 2014 rates			
Earnings During Year One	Base Salary	PERS	FICA	FLSA	Total
Monthly pay @ Current Salary Range	49,680	13,319	720	1,242	64,962
Monthly pay @ Proposed Salary Range	41,917	11,238	608	1,048	54,811
<b><i>Difference over 1 year - per Captain</i></b>					<b><i>10,151</i></b>

Division Chief (Base Salary Only)		Assumes 2014 rates			
Earnings During Year One	Base Salary	PERS	FICA	FLSA	Total
Monthly pay @ Current Salary Range	47,316	12,685	686	1,183	61,870
Monthly pay @ Proposed Salary Range	39,922	10,703	579	998	52,202
<b><i>Difference over 1 year - per Division Chief</i></b>					<b><i>12,142</i></b>

Once the City begins hiring new employees, the average savings for one (1) year could be \$10,408 (average savings of four (4) positions).

City of Auburn Proposal #2  
*Amendments to Section 10 Vacation*

10C The current MOU states that as of an employee's anniversary date each year, no employee shall be allowed to maintain a balance of unused vacation leave earned in excess of twice his/her yearly allowance. For good cause and upon recommendation of the Fire Chief, an employee may accrue an additional ten (10) shifts of vacation. The City is proposing to eliminate the portion where vacation may be carried over above the maximum accrual limit.

10D Currently the City does not provide annual cash payouts to IAFF members for unused vacation leave balances. The City is proposing to allow employees an option of a cash payout up to forty (40) hours per fiscal year. This allows the City to "buy down" current vacation balances. While the City would incur costs each fiscal year, the City would also reduce unfunded liabilities in vacation leave accruals. The impact is as follows:

Description	Cash Payout Amount
Current Base Pay @ 40hrs	\$12,463
FICA	\$181
<b>Total</b>	<b>\$12,644</b>

10E The City is proposing new language to allow employees (one time only within thirty (30) days of City Council ratification of this MOU) an opportunity to convert any amount of unused vacation leave to sick leave at a ratio of 1.0 Vacation Leave = 1.5 Sick Leave. As of November 14, 2014, employees within the unit have accrued 1,777 hours of vacation leave above the cap for vacation leave. If these hours are converted to sick leave – which has no cash value but does carry conversion value for calculating retirement benefits – the City could reduce the unfunded liability of vacation leave. The chart below explains this proposal:

Current IAFF Vacation & Sick Leave Liabilities			Vacation Leave above the Cap is converted to Sick Leave at a rate of 1.0 to 1.5	Adjusted Balances	
Vacation Leave Over Cap (Hours)	Vacation Leave Over Cap (Dollar Amount)	Total Sick Leave (Hours)		Vacation Leave Over Cap (Dollar Amount)	Total Sick Leave (Hours)
1,777	\$47,501	11,342		\$0.00	14,008

The fiscal impact of this proposal could decrease the City's unfunded liability in vacation leave balances by \$47,501 and eliminate vacation leave balances over the current cap if employees voluntarily converted all vacation leave balances over the cap to sick leave.

City of Auburn Proposal #3  
*Amendments to Section 11 Sick Leave*

There is currently a sick leave balance of \$281,384 for IAFF employees and the City is attempting to address the significance of this unfunded balance in two ways: first, to reduce the citywide overall leave balances whenever possible; and to eliminate practices of paying cash for unused sick leave. The City is also attempting to enhance the ability of employees to use sick leave for family sick leave, as well as exchange for service credits towards retirement.

11B Current MOU language allows the Fire Chief to grant up to 72 hours of family sick leave per calendar year. These 72 hours are awarded separate from regular sick leave accumulation. The City is proposing to eliminate these 72 hours of family sick leave and allow employees to use regular sick leave for any illness-related purpose, including the care of ill family members. The impact of this proposal will reduce costs to the City by \$24,162 per year, assuming employees use all three (3) days of family sick leave which are not currently charged to employee sick leave balances.

<b>Annual Sick Leave Accrual (Hours)</b>	<b>“24 Hours” Family Sick Leave that does not reduce Sick Leave Accrual (Hours)</b>	<b>Total Amount of Sick Leave Liability (Hours)</b>	<b>Total Value of 72 Hours of Sick Leave (Dollars)</b>
144	72	216	\$22,434

11C The City is proposing to eliminate MOU language whereas employees may “cash out” unused sick leave in excess of 720 hours upon termination of employment.

<b>Current Sick Leave Balance (In Hours)</b>	<b>Sick Leave in Excess of 720 Hours (In Hours)</b>	<b>Dollar Value of Sick Leave Over 720 Hours (In Dollars)</b>
11,342	4,165	\$109,798

This proposal could reduce the City’s current unfunded liability of sick leave balances by \$109,798 for the cash out option upon termination of employment.

11D The City is proposing to eliminate language where employees may sell back up to 96 hours annually of unused sick leave as long as the employee retains a balance of not less than 840 hours. There are currently six (6) employees who have sick leave balances above 840 hours who qualify for this option.

<b>Number of Employees Eligible for Sell Back</b>	<b>Sick Leave in Excess of 840 Hours (In Hours)</b>	<b>Dollar Value of Sick Leave Over 720 Hours (In Dollars)</b>
6	3,383	\$14,035

The proposal to eliminate 96 hours of annual sick leave sell back could result in \$14,035 in savings to the City if every eligible employee sold back the maximum amount of unused sick leave.

City of Auburn Proposal #4 <i>Amendments to Section 16C</i>
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In the event an employee selects a health plan with a premium that is less than the employer contribution, the IAFF MOU allows the employee to spend the excess money within the medical plan or accept excess as cash. Beginning in January 2015, there will be three (3) employees who would receive excess money as cash, totaling \$54.02 per month. This proposal would save the City \$648.24 in Calendar Year 2015.

City of Auburn Proposal #5

*Amendments to Section 6, Section B4 Overtime*

The current MOU allows for employees to carry over 216 hours of compensatory time off (CTO) per year and the Fire Chief may allow for carryover of additional CTO. The City is proposing to eliminate language that allows for carryover in CTO balances in excess of the 216. The City will compensate employees for hours worked according to current MOU language and City policies.

City of Auburn Proposal #6

*Add the following language to Section 17. Retirement: All employees hired on or after January 1, 2013 shall receive the retirement benefit of 2.7%@57 or as specified in the California Public Employee's Pension Reform Act of 2013 (PEPRA).*

The 2013 California Public Employee's Pension Reform Act of 2013, also known as PEPRA, was enacted by the State of California to address public employee pensions. This added language to the MOU documents the new retirement benefits for employees hired after January 1, 2013 as outlined by PEPRA who are not already members of CalPERS. The impact of this legislation is significant and many factors are yet unknown. However the City's proposal to include PEPRA language within the MOU only acknowledges the change in pension rules and regulations as outlined by the State.

**Annual Fiscal Impact**

***Auburn Firefighter's Association (IAFF) Proposal***

Description	Annual Fiscal Impact	
	Increase	Decrease
<b><i>IAFF Proposal #1 – 5% Increase for FFE &amp; Captain positions</i></b>	\$27,546	
<b><i>IAFF Proposal #2 – 15 Year Longevity Increase of 5%</i></b>	\$22,327	
<b><i>IAFF Proposal #3 – 3% COLA Adjustment</i></b>	\$35,381	
<b><i>Est. Total</i></b>	<b><i>\$85,254</i></b>	

***City of Auburn Proposal to IAFF***

Description	Annual Fiscal Impact	
	Increase	Decrease
<b><i>City Proposal #1 – Amendments to Section 7, Subsection A Salary Adjustment</i></b>	-	(\$10,408)*
<b><i>City of Auburn Proposal #2 – Amendments to Section 10 Vacation</i></b>		
<i>10C Discretion to Accrue Vacation Leave over Cap</i>	-	-
<i>10D Annual Cash Payment for 40 Hours of Vacation Leave</i>	\$12,644	(\$12,644)
<i>10E Vacation Leave Conversion to Sick Leave (1.0 to 1.5)</i>	-	(\$47,501)
<b><i>City of Auburn Proposal #3 – Amendments to Section 11 Sick Leave</i></b>		
<i>11B Elimination of 72 Hours Family Sick Leave</i>	-	(\$22,434)
<i>11C Elimination of Sick Leave Cash Compensation upon Termination of Employment</i>	-	(\$109,798)
<i>11D Elimination of Sick Leave Sellback</i>	-	(\$14,035)
<b><i>City of Auburn Proposal #4 – Amendments to Section 16C Health Premium Excess as Cash</i></b>	-	(\$648)
<b><i>City of Auburn Proposal #5 – Amendments to Section B4 Additional Carryover of CTO</i></b>	-	-
<b><i>City of Auburn Proposal #6 – Inclusion of PEPR Language</i></b>	-	-
<b><i>Est. Total</i></b>	<b><i>\$12,644</i></b>	<b><i>(\$217,468)</i></b>

*\*Savings would occur as positions become vacant and new staff is hired*